

Validating relative value units in Medicare’s fee schedule for physicians and other health professionals

ISSUE: The Commission has a longstanding concern about distortions in Medicare’s fee schedule for physicians and other health professionals. These distortions lead, first, to underpayment for primary care relative to other services and, second, disparities in compensation. In response, the Commission recommended—as part of its plan to replace the sustainable growth rate (SGR) formula—higher payment updates for primary care than specialty care. Specific to distortions in the fee schedule, the Commission recommended that data should be collected to improve the relative valuation of services and that overpriced services should be identified and priced appropriately.

KEY POINTS: The Patient Protection and Affordable Care Act of 2010 has a requirement that the fee schedule’s relative value units undergo a process of validation. Staff will demonstrate that it is feasible to identify overpriced services without resort to a cumbersome review of each individual service. Instead, the assessment can start with the physician or other health professional as the unit of analysis rather than the individual service. This “top-down” approach to valuation could be a desirable method for ensuring the accuracy of the fee schedule on an ongoing basis.

ACTION: Commissioners should provide staff with feedback on this material.

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